

m/049/001

LAW OFFICES OF
KIMBALL, PARR, CROCKETT & WADDOUPS
A PROFESSIONAL CORPORATION
SUITE 1300
185 SOUTH STATE STREET
POST OFFICE BOX 11019
SALT LAKE CITY, UTAH 84147
TELEPHONE (801) 532-7840

DOGM
MINERALS PROGRAM
FILE COPY

CLAYTON J. PARR

October 17, 1988

RECEIVED
OCT 18 1988

DIVISION OF
OIL, GAS & MINING

D. Wayne Hedberg
Division Hydrologist
Division of Oil, Gas & Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, UT 84180-1203

Re: Bonding Forms, Keigley Quarry - M/049/001 and Iron
Mountain Mine - M/021/008, Utah and Iron Counties,
Utah

Dear Wayne:

The enclosed copies of the bond form sent to Roy Benson with your letter of September 26, contain a couple of minor modifications for clarification that I believe are consistent with the intentions of DOGM. Please call me after you have had a chance to review them.

In determining the most suitable form of collateral for the bond, we have considered Geneva's objectives of receiving interest that accrues on any deposit and of being able to substitute another form of collateral acceptable to DOGM in the future. Flexibility to meet these objectives could be provided by a so-called "depository account" whereby the amount of the bond would be placed in a bank account from which withdrawals could be made solely by DOGM but with respect to which accrued interest would be paid to Geneva. I have drafted a form of letter agreement that would be signed by DOGM, Geneva, and the Bank for your consideration in this regard. Since the form of the letter has not been reviewed with the bank, it might be changed, but before proceeding, I wanted to get your approval of the suitability of this form of collateral. We would anticipate using Valley Bank and therefore have identified that institution in the letter. Please let me know if the arrangement would be satisfactory.


I will await hearing from you before working with the company to finalize the bonding arrangement.

KIMBALL, PARR, CROCKETT & WADDOUNS

D. Wayne Hedberg
October 17, 1988
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Thank you for your cooperation.

Very truly yours,


Clayton J. Parr

CJP/wc
Enclosures

cc: Robert Grow (w/encls.)
Dennis Wanless (w/encls.)
Roy Benson (w/encls.)
Robert Johnson (w/encls.)

NONCOAL
(September 1988)

C J Parr Marking
10-12-88

State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
3 Triad Center, Suite 350
355 West North Temple
Salt Lake City, Utah 84180-1203
(801) 5538-5340

COLLATERAL BONDING AND INDEMNITY AGREEMENT

THIS COLLATERAL BONDING AND INDEMNITY AGREEMENT entered into by and between _____ (hereinafter referred to as "Operator") and the Utah Division of Oil, Gas and Mining (hereinafter referred to as "Division"),

W I T N E S S E T H

WHEREAS, the Operator has obtained Program Permit No. _____ (hereinafter referred to as "Permit") from the Division to conduct mining and reclamation activities at the _____ in _____ County, Utah, as a mine under the Utah Mined Land Reclamation Act, Utah Code Annotated, 40-8-1, et seq, 1953, as amended ("Act") and implementing regulations; on the disturbed areas designated in Exhibit A; and

WHEREAS, the Operator wishes to obtain a bond under 40-8-14(3); and

WHEREAS, the Operator has provided a(n) _____ issued by _____ (Exhibit B), naming the Division as Beneficiary, as collateral to secure this Collateral Bonding and Indemnity Agreement; and

COLLATERAL BONDING AND INDEMNITY AGREEMENT - Noncoal

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, the Operator does hereby agree to be held and firmly bonds to the Division for the sum of _____ (_____ year dollars) for the timely performance of reclamation responsibilities for Permit No. _____ in lawful money of the United States. By the submission of this _____ (form of collateral) will and truly binds itself, its successors and assigns, jointly and severally, by the conditions of this Agreement.

The conditions of the above obligations are such that:

1. The Operator shall perform all duties and fulfill all requirements applicable to mining and reclamation as set forth in the Act, and regulations adopted pursuant to the Act and the conditions of Permit No. _____ issued by the Division.
2. The liability under this Agreement is conditioned upon successful reclamation of the permit area as provided in the Mining and Reclamation Plan for Permit No. _____ for a period of time and in the manner specified in the Act and regulations adopted pursuant thereto as amended from time to time, and the conditions set forth in Permit No. _____ issued by the Division.

COLLATERAL BONDING AND INDEMNITY AGREEMENT - Noncoal

3. The Operator does hereby jointly and severally agree to indemnify and hold the Division harmless from any claim, demand, liability, cost, charge or suit brought by a third party, as a result of the Operator's failure to abide by the terms and conditions of the Mining and Reclamation Plan as set forth in Permit No. _____ and from any failure to comply with the terms of this Agreement.
4. Upon successful completion of part or all of the obligations secured hereby, the Operator may petition the Division for a final release of part or all of the obligations under this Agreement. Upon such petition, the Division shall timely conduct an inspection to ascertain whether the duties and obligation of _____ under the Act, regulations adopted pursuant thereto and Permit No. _____ have been fulfilled. If such duties and obligations have been fulfilled, the Division shall release the Operator from part or all of its obligations under this Agreement and shall file notice of such release of collateral held by the Division. *The Division shall return all or part of the collateral deposited with the Division to*
5. This agreement shall be reviewed periodically by the *the* *Operator.* Division, or reviewed upon petition by the Operator, in accordance with the Act and implementing regulations and the amount of liability under this agreement may be adjusted upon written agreement between the Operator and

COLLATERAL BONDING AND INDEMNITY AGREEMENT

the Division where it is clearly established that the cost of future reclamation has materially changed.

6. This Agreement may be terminated ninety (90) days after written notice is received by the Division, if terminated by the Operator, or ninety (90) days after written notice is received by Operator, if terminated by the Division. Upon such written notification, the Operator will have ninety (90) days to obtain an alternate form of bond to secure reclamation obligations for Permit No. _____ in the same amount as stated in this Agreement or amendments thereto.
7. Failure to provide a satisfactory alternative form of bond will result in the complete cessation of all mining operations and the complete reclamation of all disturbed areas within the _____ Mine permit area.
8. Any breach of the Provisions identified under item #2 of this Agreement will result in the payment of *up to* \$ _____ (bond amount) liquidated damages to the Division, *the actual amount to be the costs and expenses of reclamation performed by the Division.*
9. This Agreement will be governed and interpreted according to Utah law.

COLLATERAL BONDING AND INDEMNITY AGREEMENT

TO BE COMPLETED BY OPERATOR

(Company Name)

By _____ Date _____
(Name Corporate Officer - Position)

STATE OF _____ }
COUNTY OF _____ }

On the ____ day of _____, 198____, personally appeared
before me _____
and _____ who being by me duly sworn did
say that he/she, the said _____ is
the _____ of _____ and
said instrument was signed in behalf of said corporation by
authority of its bylaws or a resolution of its board of directors
and said _____ and _____
duly acknowledged to me that said corporation executed the same.

Notary Public
Residing at: _____

My Commission Expires: _____

COLLATERAL BONDING AND INDEMNITY AGREEMENT - Noncoal

TO BE COMPLETED BY THE DIVISION

STATE OF UTAH, DEPARTMENT OF
(NATURAL RESOURCES, BOARD OF
OIL, GAS AND MINING

By _____
Gregory P. Williams, Esq.
Chairman, Board of
Oil, Gas and Mining

Date _____

APPROVED AS TO FORM:

Assistant Attorney General

STATE OF UTAH _____)
COUNTY OF _____)

On the ____ day of _____, 198____, personally appeared
before me Gregory P. Williams, Esq. who being by me duly sworn did
say for himself, that he, the said Gregory P. Williams, Esq. is the
Chairman of the Board of Oil, Gas and Mining, Department of Natural
Resources, State of Utah, and he duly acknowledged to me that said
Division executed the foregoing document by authority of law on
behalf of the State of Utah.

Notary Public
Residing at: _____

DRAFT FOR DISCUSSION PURPOSES ONLY

October 17, 1988

Valley Bank & Trust Company
185 South State Street
Salt Lake City, UT 84111

State of Utah
Division of Oil, Gas & Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, UT 84180-1230

Re: Depository Account for Basic Manufacturing and
Technologies of Utah, Inc., dba Geneva Steel Company
Account No. _____, Keigly Quarry Mine
Permit No. _____

Gentlemen:

Basic Manufacturing and Technologies, Inc., dba Geneva Steel Company ("Geneva") has entered into a Collateral Bonding and Indemnity Agreement (the "Bonding Agreement") with the Division of Oil, Gas and Mining (DOGM) pursuant to which Geneva has agreed to provide bonding in the amount of \$_____ to secure performance of reclamation of the Keigly Quarry Mine.

The purpose of this letter is to establish the basis for a depository account that will serve as collateral for the obligations of Geneva under the Bonding Agreement.

Accordingly, we request your agreement with the following:

1. Account # _____ at Valley Bank (the "Depository Account") will be operated and maintained exclusively for the benefit of DOGM.

2. Geneva will deposit¹ the sum of \$_____ into the Depository Account.
and maintain

3. All interest accruing on the funds in the Depository Account shall be distributed monthly by Valley Bank to Geneva in accordance with instructions from Geneva.

4. Withdrawals from the Account may ^{only} be made by signature of the person purporting to be the Director of DOGM, verified by the Attorney General or any Assistant Attorney General of the State of Utah.

5. DOGM may make withdrawals from the Depository Account only as provided in the Bonding Agreement, but Valley Bank shall have no obligation to establish whether any withdrawal of DOGM is permitted by the Bonding Agreement.

If the foregoing provisions are satisfactory to you, please so indicate by signing the form of acceptance set forth below.

Very truly yours,

BASIC MANUFACTURING AND TECHNOLOGIES
OF UTAH, INC.

By _____
Its _____

ACCEPTED AND AGREED:

VALLEY BANK & TRUST COMPANY

By _____
Its _____
Date _____

ACCEPTED AND AGREED:

UTAH DIVISION OF OIL, GAS
AND MINING

By _____
Its _____
Date _____

Clay,
Comments from Alan
Bachman (Asst. A.G.)

① Geneva will maintain & cannot withdraw monies from the account.

② Monies must be in the account prior to our signing Surety agreement.

③ Expiration date (Bonding Period)? To be re-evaluated in year ____? ^{DOGM suggests} (minimum 5-yr. period)

④ If this surety arrangement is meant to be a "CASH AND ESCROW" account, then it should be set up as such.

Wayne